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FM AMEMBASSY SARAJEVO

TO RUEHC/SECSTATE WASHDC 0460

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SARAJEVO 000821

SIPDIS

TREASURY FOR SCHMERIN, DEPARTMENT FOR EUR/SCE, EEB/IFD/OMA
(FREUDENWALD)

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EAID](#) [BK](#)

SUBJECT: BOSNIA: IMF GOVERNING BOARD APPROVES \$1.57 B

STANDBY ARRANGEMENT

REF: A. SARAJEVO 589

[1](#)B. SARAJEVO 666

[1](#)C. SARAJEVO 744

[1](#)D. SARAJEVO 782

[1](#)1. On July 8, the IMF Governing Board approved a \$1.57 billion, 36-month standby arrangement for Bosnia-Herzegovina.

The first tranche of \$282 million could arrive as early as July 10. The funding must be used to service external debt, but Federation Finance Minister Bevanda has said that this will free up budget resources to repay commercial debt the Federation borrowed to plug last year's budget hole. While the IMF appears to be satisfied for now that the Federation will be able to control its payments to war vererans and other social beneficiaries (Ref D), the real test will come during the first review in the fall. If the IMF does not see progress, the second tranche of approximately \$140 million could be delayed.

ENGLISH